

ORDINANCE NO. _____, SERIES 2008

AN ORDINANCE OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY AUTHORIZING AND APPROVING THE TERMINATION BY LOUISVILLE GAS AND ELECTRIC COMPANY (THE “COMPANY”) OF CERTAIN BOND INSURANCE POLICIES SECURING THE OUTSTANDING (i) \$25,000,000 COUNTY OF JEFFERSON, KENTUCKY, POLLUTION CONTROL REVENUE BONDS, 2000 SERIES A (LOUISVILLE GAS AND ELECTRIC COMPANY), DATED MAY 19, 2000, (ii) \$10,104,000 COUNTY OF JEFFERSON, KENTUCKY, ENVIRONMENTAL FACILITIES REVENUE BONDS, 2001 SERIES A (LOUISVILLE GAS AND ELECTRIC COMPANY, DATED SEPTEMBER 11, 2001, (iii) \$128,000,000 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, POLLUTION CONTROL REVENUE BONDS, 2003 SERIES A (LOUISVILLE GAS AND ELECTRIC COMPANY PROJECT), DATED NOVEMBER 20, 2003, (iv) \$40,000,000 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, POLLUTION CONTROL REVENUE BONDS, 2005 SERIES A (LOUISVILLE GAS AND ELECTRIC COMPANY PROJECT), DATED APRIL 13, 2005, (v) \$31,000,000 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, ENVIRONMENTAL FACILITIES REVENUE REFUNDING BONDS, 2007 SERIES A (LOUISVILLE GAS AND ELECTRIC COMPANY PROJECT), DATED APRIL 26, 2007 AND (vi) \$35,200,000 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, ENVIRONMENTAL FACILITIES REVENUE REFUNDING BONDS, 2007 SERIES B (LOUISVILLE GAS AND ELECTRIC COMPANY PROJECT), DATED APRIL 26, 2007, AND AUTHORIZING THE SECURING OF ALTERNATE CREDIT FACILITIES OR COLLATERAL AS DEEMED NECESSARY BY THE COMPANY.

Sponsored by: Councilwoman Judy Green

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky (“Metro Louisville” or the “Issuer”) is the governmental successor to the County of Jefferson, Kentucky and, pursuant to operation of law has mandatorily assumed all obligations of the Issuer and has been vested with ownership of all property of the Issuer; and

WHEREAS, either the County of Jefferson, Kentucky, or the Louisville/Jefferson County Metro Government, Kentucky, is the governmental issuer of all of the Bonds identified in the title of this Ordinance, and all such Bonds are payable, solely and only by payments made by the Louisville Gas and Electric Company (the “Company”) and as a result of recent extremely adverse developments in credit markets, the Company has determined that it is advisable to restructure certain of its outstanding bonded indebtedness, including the Modified Bonds, by eliminating the current insurance coverage on the Modified Bonds, which the Company represents has had an adverse effect on the marketability of the Modified Bonds and securing the Modified Bonds by alternative credit facilities or other collateral arrangements or the credit of the Company, including the conversion by the Company of the interest rate mode on the Modified Bonds from auction rates to other interest rate modes, which will include the mandatory tender for purchase of the Modified Bonds by all Bondholders, who will be paid in full all principal and accrued interest due on the Modified Bonds at the time of conversion to an alternative interest rate mode; and

WHEREAS, under date of May 19, 2000, the Issuer, at the request of Louisville Gas and Electric Company, a Kentucky corporation (the “Company”), issued \$25,000,000 principal amount of County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project), dated May 19, 2000 (the “2000 Series A Bonds”), in order to refinance various issues of similar Pollution Control Revenue Bonds; and

WHEREAS, under date of September 11, 2001, the Issuer, at the request of the Company, issued \$10,104,000 principal amount of County of Jefferson, Kentucky, Environmental Facilities Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project), dated September 11, 2001 (the “2001 Series A Bonds”), in order to finance the acquisition, construction, installation and equipping of certain facilities for the collection, storage, treatment, processing, recycling and final disposal of solid wastes to serve the Mill Creek Generating Station of the Company; and

WHEREAS, under date of November 20, 2003, the Issuer, at the request of the Company, issued \$128,000,000 principal amount of Louisville/Jefferson County Metro Government, Kentucky, Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project), dated November 20, 2003 (the “2003 Series A Bonds”), in order to refinance various issues of similar Pollution Control Revenue Bonds; and

WHEREAS, under date of April 13, 2005, the Issuer, at the request of the Company, issued \$40,000,000 principal amount of Louisville/Jefferson County Metro Government, Kentucky, Pollution Control Revenue Bonds, 2005 Series A (Louisville Gas and Electric Company Project), dated April 13, 2005 (the “2005 Series A Bonds”), in order to refinance a similar issue of Pollution Control Revenue Bonds; and

WHEREAS, under date of April 26, 2007, the Issuer, at the request of the Company, issued \$31,000,000 principal amount of Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), dated April 26, 2007 (the “2007 Series A Bonds”), in order to refinance various issues of similar Pollution Control Revenue Bonds; and

WHEREAS, under date of April 26, 2007, the Issuer, at the request of the Company, issued \$35,200,000 principal amount of Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project), dated April 26, 2007 (the “2007 Series B Bonds”, and collectively, with the 2000 Series A Bonds, the 2001 Series A Bonds, the 2003 Series A Bonds, the 2005 Series A Bonds, the 2007 Series A Bonds, the “Modified Bonds”), in order to refinance various issues of similar Pollution Control Revenue Bonds; and

WHEREAS, the Company represents that it has obtained the approval and consent of XL Capital Assurance Inc., as Bond Insurer, to terminate the bond insurance policy and the Insurance Agreement between the Company and XL Capital Assurance Inc. with respect to the 2003 Series A Bonds; and

WHEREAS, the Company represents that it has obtained the approval and consent of Ambac Assurance Corporation, as Bond Insurer, to terminate the bond insurance policies and the Insurance Agreements between the Company and Ambac Assurance Corporation with respect to the 2000 Series A Bonds, the 2001 Series A Bonds, the 2005 Series A Bonds, the 2007 Series A Bonds and the 2007 Series B Bonds;

NOW THEREFORE, BE IT ORDAINED BY THE LEGISLATIVE COUNCIL OF THE LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT (THE “COUNCIL”) AS FOLLOWS:

Section 1. For the purposes set forth in the preambles, there is hereby authorized and directed the incorporation by reference the preambles of this Ordinance as integral parts of this Ordinance, to the same extent as if repeated herein verbatim, it being declared that the statements of fact set forth in such preambles are true and accurate in all respects.

Section 2. This Ordinance is being adopted for the sole purpose of authorizing the elimination of municipal bond insurance in respect of the outstanding six issues of Modified Bonds to enable the Company to either secure such Modified Bonds with alternative credit facilities or collateral or entirely with the credit of the Company as deemed necessary or advisable by the Company (the "Restructuring Program").

Section 3. In order to implement the Restructuring Program in respect of the Modified Bonds, each of the Loan Agreements in respect of the Modified Bonds are hereby amended and restated in their entirety and are attached hereto collectively, as Exhibits A-1, A-2, A-3, A-4, A-5 and A-6 (attached in both final form and in form reflecting all amendments and modifications). The Mayor is hereby authorized, empowered and directed to execute, deliver and acknowledge each of the Loan Agreements, to be in substantially the form appended hereto collectively, as Exhibits A-1, A-2, A-3, A-4, A-5 and A-6, hereby adopted and approved, and the Metro Council Clerk is hereby authorized, empowered and directed to execute, deliver, acknowledge and affix the official seal of Metro Louisville thereto, and to attest the same.

Section 4. In order to implement the Restructuring Program in respect of the Modified Bonds, each of the Indentures of Trust in respect of the Modified Bonds are hereby amended and restated in their entirety and are attached hereto collectively, as Exhibits B-1, B-2, B-3, B-4, B-5 and B-6 (attached in both final form and in form reflecting all amendments and modifications). The Mayor is hereby authorized, empowered and directed to execute, deliver and acknowledge each of the Indentures of Trust, to be in substantially the form appended hereto collectively, as Exhibits B-1, B-2, B-3, B-4, B-5 and B-6, hereby adopted and approved, and the Metro Council Clerk is hereby authorized, empowered and directed to execute, deliver, acknowledge and affix the official seal of Metro Louisville thereto, and to attest the same.

Section 5. In order to further implement the Restructuring Program in respect of the Modified Bonds, the Mayor and Metro Council Clerk are hereby authorized, empowered, and directed to execute, acknowledge and deliver on behalf of Metro Louisville each of the Release Agreements by and among their respective Bond Insurers, their respective Trustees, Metro Louisville and the Company, hereby adopted and approved, substantially in the form attached hereto collectively, as Exhibit C-1, C-2, C-3, C-4, C-5 and C-6.

Section 6. The Mayor, County Attorney, Metro Council Clerk and all other Metro Louisville officials and employees, for and on behalf of Metro Louisville, are hereby authorized, empowered and directed to do and perform any and all things necessary to effect the execution and delivery of each of the Amended and Restated Loan Agreements, the Amended and Restated Indentures of Trust and the Release Agreements, their execution, delivery and acceptance by their respective Trustees, the performance of all obligations of the County under and pursuant to each of the Amended and Restated Loan Agreements, the Amended and Restated Indentures of Trust and the Release Agreements, and the performance of all other actions of whatever nature necessary to effect and carry out the authority conferred by this Ordinance. The Mayor, County Attorney, Metro Council Clerk and all other officials of Metro Louisville are hereby further authorized, empowered and directed, for and on behalf of Metro Louisville, to execute and deliver or to approve the execution and delivery by the Company, the Trustees, the Remarketing Agents, bond insurance entities and other relevant parties of all customary papers, documents, certificates or other instruments that may be required for the carrying out and effectuation of the authority conferred by this Ordinance, or to evidence said authority, and to

exercise and otherwise take all actions necessary to the full realization of the rights, accomplishments and purposes of Metro Louisville under each of the Amended and Restated Loan Agreements, the Amended and Restated Indentures of Trust and the Release Agreements and to carry out all of the obligations of Metro Louisville as lender under each of such documents.

Section 7. The provisions of this Ordinance are hereby declared to be severable and, if any section, phrase or provision shall, for any reason, be declared invalid, such declaration of invalidity shall not affect the validity of the remainder of this Ordinance.

Section 8. The Modified Bonds and the interest thereon do not and shall never constitute a debt, indebtedness or general obligation or a pledge of the faith and credit of the Commonwealth of Kentucky or any political subdivision thereof, including the County, within the meaning of any provision or limitation of the Constitution or Statutes of the Commonwealth of Kentucky, and shall not constitute nor give rise to a pecuniary liability of the County, or a charge against its general credit or taxing powers. Neither the Commonwealth of Kentucky nor any political subdivision thereof nor the County shall be obligated to pay the principal of the Modified Bonds, the premium, if any, or interest thereon or other costs incident thereto except from the revenues and amounts pledged therefor and neither the faith and credit nor the taxing power of the Commonwealth of Kentucky or any political subdivision thereof or the County is pledged to the payment of the principal of the Modified Bonds or the premium, if any, or interest thereon or other costs incident thereto.

Section 9. It is a condition of this Ordinance that the Company shall indemnify the Issuer and the Issuer's elected and appointed officials against any damage or liability arising as a result of the adoption of this Ordinance.

Section 10. All ordinances, resolutions, orders or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

Section 11. This Ordinance shall be in full force and effect from and after its adoption and approval as provided by law.

This Ordinance was given first reading at a duly convened meeting of the Council held on October 9, 2008, and given second reading and adopted at a duly convened meeting of the Council held on October 23, 2008.

Kathleen J. Herron
Metro Council Clerk

Jim King
President of the Council

Jerry E. Abramson
Mayor

Approval Date

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

By _____
James T. Carey, Assistant County Attorney

LG&E \$269,304,000 Total Restructured Prgm Term.Ins.Bond Ord Harper ROC J.Carey,bkn Draft 1

10-3-08

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Metro Council Clerk of the Louisville/Jefferson County Metro Government ("Metro Louisville"), and as such Metro Council Clerk, I further certify that the foregoing is a true, correct and complete copy of an Ordinance duly adopted by the Legislative Council of Metro Louisville upon second reading at a duly convened meeting held on October 23, 2008, signed by the Mayor, approved by me as Metro Council Clerk and in full force and effect as therein stated, all as shown by the official records of Metro Louisville in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand this October _____, 2008.

Kathleen J. Herron
Metro Council Clerk